

Macro Insights

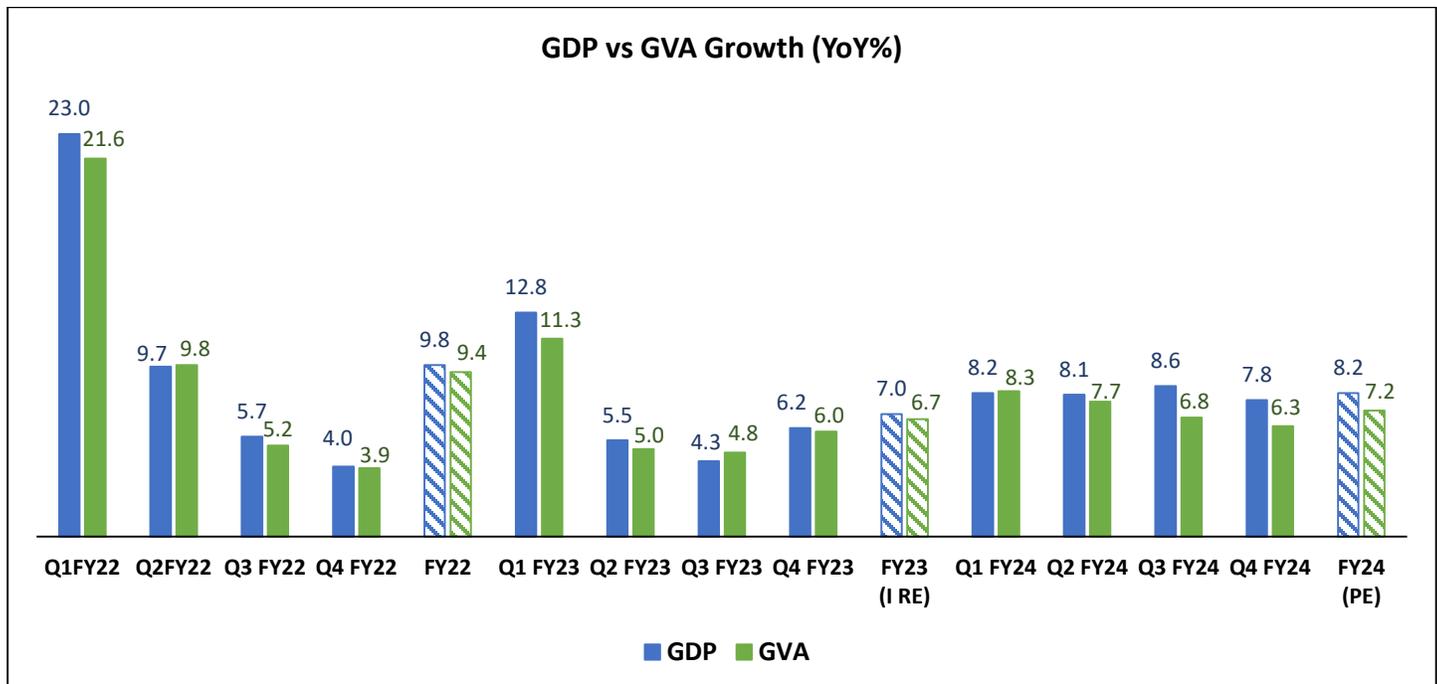
1st June, 2024

Indian economy grows by 8.2%

Gross Domestic Product (GDP) for FY24 estimated to grow by 8.2% as compared to a growth of 7.0% in the previous year. Also, Real Gross Value Added (GVA) at basic prices in FY24 estimated to grow by 7.2% in comparison to a growth of 6.7% in FY23. For the last quarter of FY24, GDP grew by 7.8% while GVA grew by 6.3%.

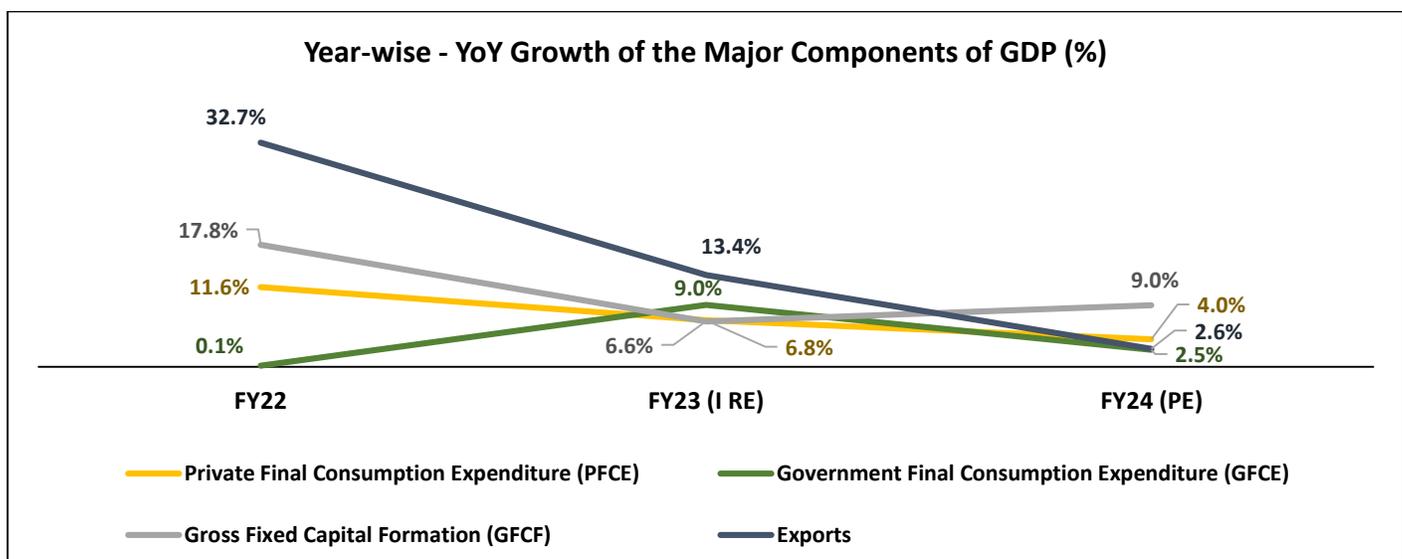
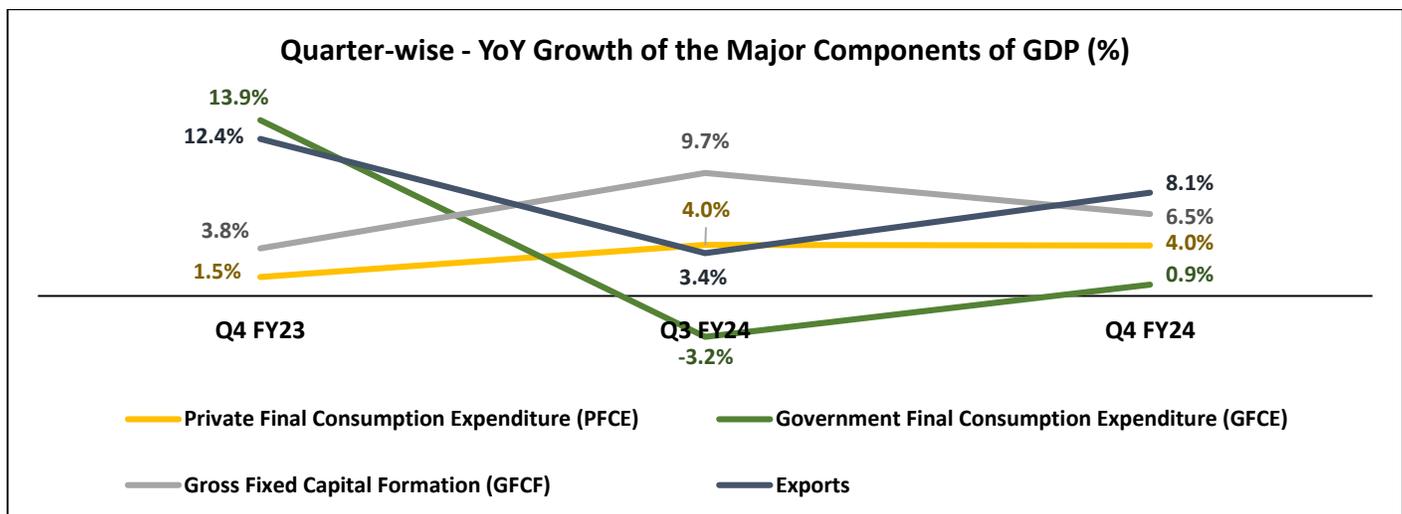
Highlights

- ☞ India's economic growth for FY24 was revised up to 8.2% from the 2nd advance estimate of 7.6% - the highest among large economies globally.
- ☞ GVA growth, which excludes indirect tax & includes subsidies, was pegged at 6.3% in Q4 FY24.
- ☞ The growth was mainly driven by remarkable performance in the manufacturing sector and the construction sector.
- ☞ The economic momentum to remain stronger in FY25 as well with over 7% growth rate on account of private capex revival, better rural economy growth and declining inflation.



Components of GDP

- Growth in **Private Final Consumption Expenditure**, the largest constituent of the GDP, remained at 4% in Q4 FY24 at par with the previous quarter. The full year growth for the component also declined from the previous year from 6.8% in FY23 to 4% in FY24.
- Growth in **Government Final Consumption Expenditure** improved in Q4 FY24 to 0.9%, coming out of the negative zone. However, the overall growth in FY24 was only 2.5% when compared to the previous year’s 9% growth. **The lower rate of growth implies the less dependency of the economy on the Government Expenditures.**
- The growth of investment in the economy, denoted by **Gross Fixed Capital Formation**, increased to 6.5% in Q4 FY24 from 3.8% in the same quarter a year ago. The growth rate for the full year also increased to 9.0% from 6.6% in FY23. **This shows the efforts taken by the Centre and the country as a whole on capital expenditure.**
- **Exports grew** more than double in Q4 FY24 to 8.1% from the previous quarter, showing signs of revival. However, in FY24, the growth in exports was marginal at 2.6%, amid geo-political tensions and sluggish growth in advanced economies.

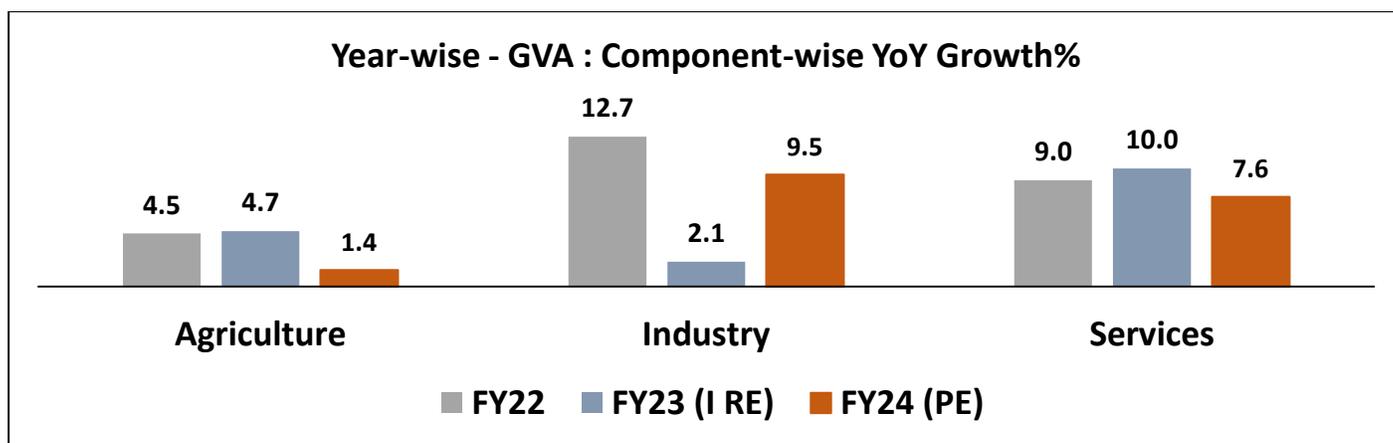
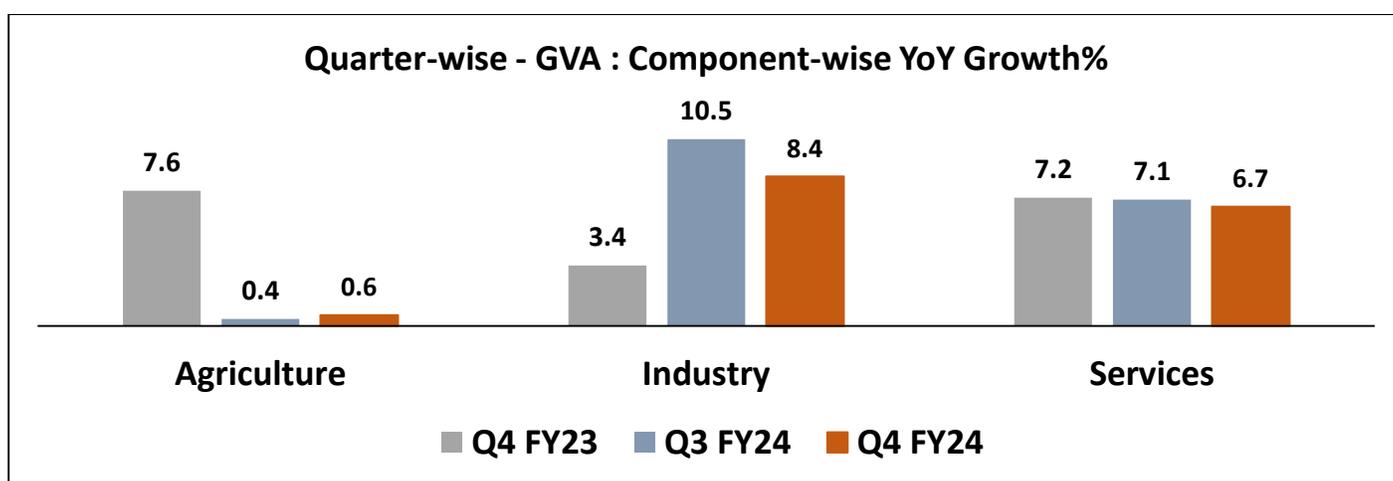


Change of the Major Component's Share in GDP from last Year

- Share of Private Final Consumption Expenditure declined sharply from 58.0% in FY23 to 55.8% in FY24.
- Share of Government Final Consumption Expenditure was at 9.5% in FY24 when compared to last year's 10.0% growth.
- Share of Gross Fixed Capital Formation increased marginally from 33.3% a year ago to 33.5% in FY24.
- Share of Exports witnessed a marginal decline from 23.9% to 22.7%.
- However, dependency on imports increased, with share increasing from 24.4% to 25.0%.

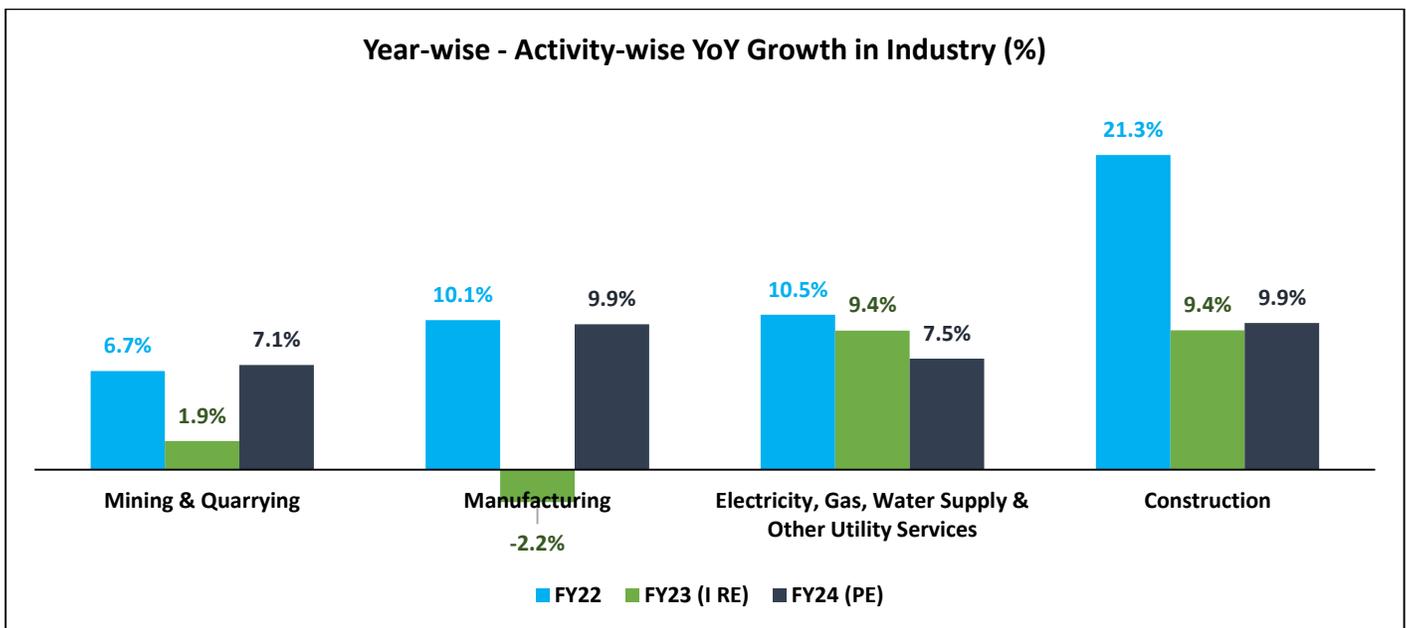
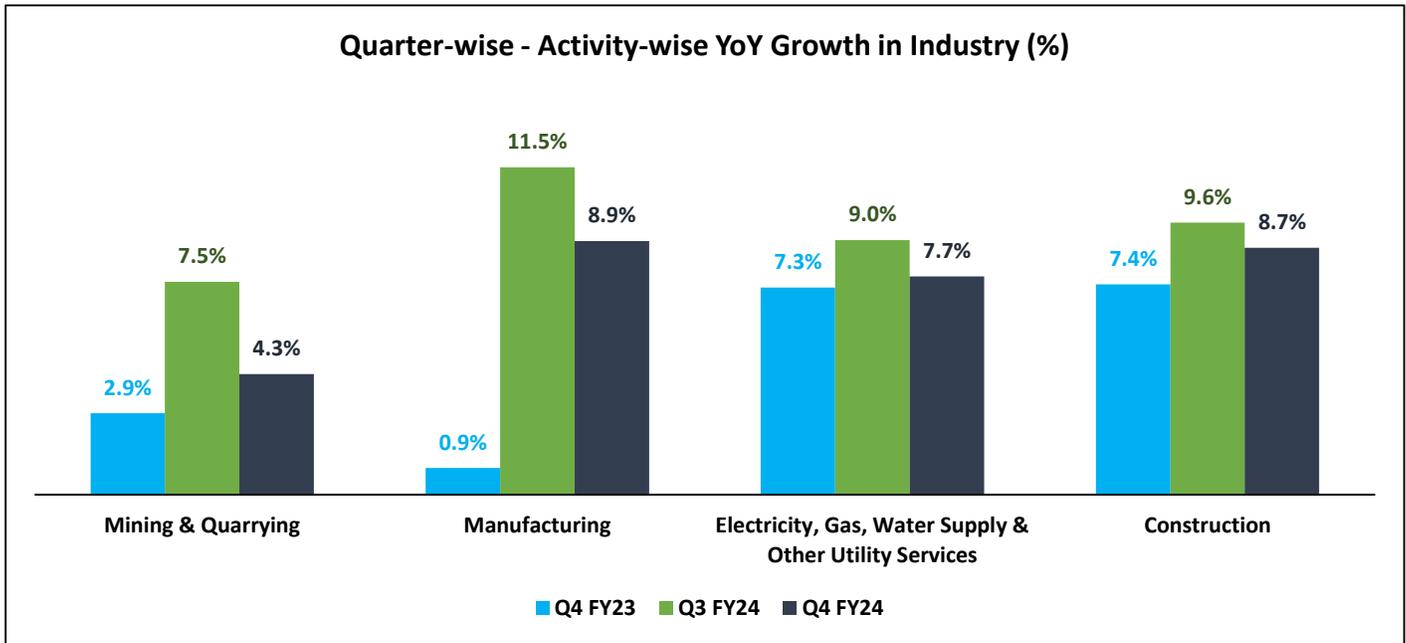
(Details in Annexure, Table 1)

Components of GVA

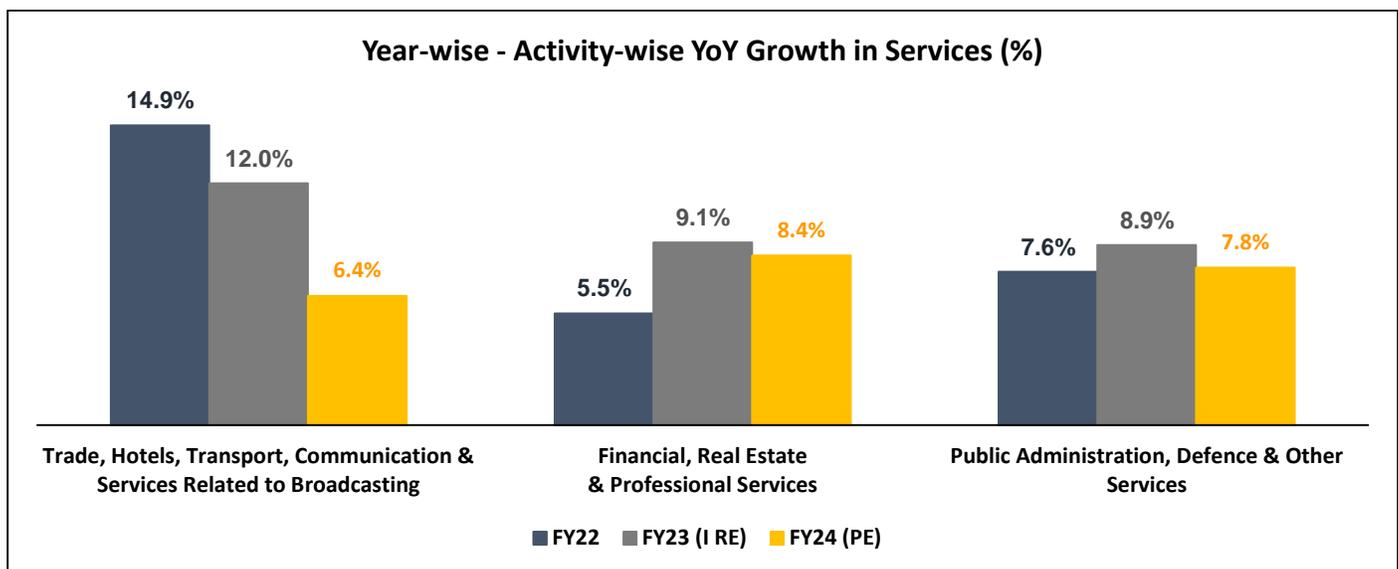
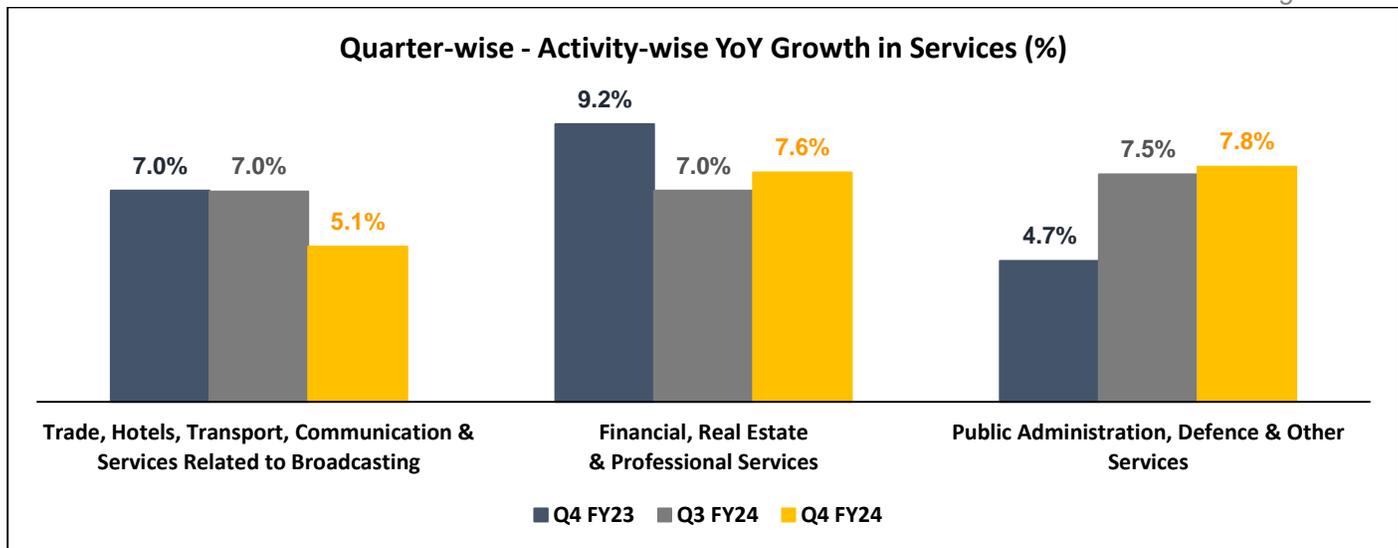


- The GVA growth in the **Farm sector** has witnessed slight improvement to 0.6% in Q4 FY24 from 0.4% in the previous quarter, though it remained sluggish. The same has been carried forward for the full year as well with a growth of only 1.4% in FY24 as compared to the growth of 4.7% a year ago.
- **Industrial sector experienced a robust growth** of 8.4% in the quarter (Q4 FY24). Even, the overall growth for the FY24 was registered at 9.5% as compared to only 2.1% a year ago.
- **The Services sector played a major role in the country's growth**, witnessing growth of 6.7% in Q4 FY24 and 7.6% in FY24.

Closer look at Industry and Services



- The Mining & Quarrying sector witnessed a robust growth of 7.1% in 2023-24 over 1.9% in 2022-23.
- The Manufacturing industry, a major part of the industry sector, grew the highest among all the industries by 8.9% in Q4 FY24. Even in FY24, the growth was at 9.9% as compared to a negative growth a year ago.
- The Construction sector showcased a robust performance as well, with 8.7% growth in the quarter and 9.9% for the full year.



- Growth in Services sector was mainly led by ‘Financial, Real Estate & Professional Services’ and the ‘Public Administration, Defence & other services’ segments for both the quarter and the full year.

(Details in Annexure, Table 2)

Views

- India remains the world’s fastest-growing major economy in the financial year 2023-24, reflecting resilience amid challenges such as sluggish global growth, geopolitical tensions, sticky food inflation and elongated monetary tightening across countries.
- The GDP growth for the Q4 FY24 & FY24 exceeded all expectations and was well above the RBI’s projection of 7.0% for Q4 FY24 and Gol 2nd Advance estimate of 7.6% for FY24.
- The wedge between GDP and GVA which was visible in Q3 FY24 continues even in Q4 FY24 owing to the net taxes received by the government which grew at 7.9% & 12.7% YoY in Q1 & Q2 FY24, while it expanded at 31.2% & 22.2% YoY in Q3 & Q4 FY24, respectively.

- Manufacturing and construction sector were the primary drivers of the industry sector's robust and consistent growth in Q4 as well as in FY24, reflecting the public capex support push.
- The services sector also performed well in Q4 FY24, with improvements observed in the public administration, defense services and financial and real estate segments.
- Exports despite global headwinds recorded a YoY growth of 8.1% in Q4 FY24, driven by both goods & services exports.
- The Private Consumption growth in real terms remained steady at 4.0% in Q4 FY24.
- However, the Agriculture Sector growth has remained low with 0.6% in Q4 FY24, rising slightly from the 0.4% in Q3 FY24. For the overall FY24, it has fallen from 4.7% in FY23 to 1.4% in FY24 owing to uneven monsoon that led to poor Kharif harvest and weak sowing of Rabi crops.
- **Going forward, the growth of Indian economy to remain robust with an expectation of 7.5% growth in the Q1 FY25 and between 7-7.5% for the overall FY25, on account of continued high capital expenditure by the Govt., reviving private capital expenditure and consumption demand in rural India, improved financial health of corporates & banks coupled with digitization and formalization of the economy.**
- **Moreover, IMD's forecast of an above normal monsoon, global rating agencies improving outlook and the RBI's record surplus transfer of 2.11 trillion rupees (a record 141% YoY jump) will also help the next government to increase state spending & foster the overall economy's growth.**

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Table-1: GDP (at Constant Prices) for FY24 & Q4 FY24 (Jan-Mar)

Item	Expenditures of Gross Domestic Product (Rs Cr)			Share in GDP (%)			Growth%		
	Q4 FY24	2022-23 (1 st RE)	2023-24 (PE)	Q4 FY24	2022-23 (1 st RE)	2023-24 (PE)	Q4 FY24	2022-23	2023-24
Private Final Consumption Expenditure (PFCE)	2497179	9323825	9699214	52.9	58.0	55.8	4.0%	6.8%	4.0%
Government Final Consumption Expenditure (GFCE)	512261	1613726	1653333	10.8	10.0	9.5	0.9%	9.0%	2.5%
Gross Fixed Capital Formation (GFCF)	1570194	5346423	5826880	33.2	33.3	33.5	6.5%	6.6%	9.0%
Change in Stocks	54448	183464	194349	1.2	1.1	1.1	5.0%	14.5%	5.9%
Valuables	65376	229167	277857	1.4	1.4	1.6	72.8%	-19.1%	21.2%
Exports	1107101	3847742	3948947	23.4	23.9	22.7	8.1%	13.4%	2.6%
Less Imports	1042628	3919021	4347870	22.1	24.4	25.0	8.3%	10.6%	10.9%
Discrepancies	-40147	-553897	129012	-0.8	-3.4	0.7	-73.4%	11.2%	-123.3%
GDP	47,23,784	1,60,71,429	1,73,81,722	100.0	100.0	100.0	7.8%	7.0%	8.2%

Table-2: Real GVA at basic prices for FY24 & Q4 FY24 (Jan-Mar)

Industry	Gross Value Added (Rs Cr)			Growth%		
	Q4 FY24	2022-23 (1 st RE)	2023-24 (PE)	Q4 FY24	2022-23	2023-24
Agriculture, Forestry & Fishing	630886	2272250	2304982	0.6%	4.7%	1.4%
Agriculture	630886	2272250	2304982	0.6%	4.7%	1.4%
Mining & Quarrying	100493	315256	337623	4.3%	1.9%	7.1%
Manufacturing	770903	2504663	2751680	8.9%	-2.2%	9.9%
Electricity, Gas, Water Supply & Other Utility Services	92785	347973	374174	7.7%	9.4%	7.5%
Construction	420090	1306256	1436081	8.7%	9.4%	9.9%
Industry	1384271	4474148	4899558	8.4%	2.1%	9.5%
Trade, Hotel, Transport, Communication & Services related to broadcasting	842354	2777723	2955767	5.1%	12.0%	6.4%
Financial, Insurance, Real Estate & Professional Services	842256	3405474	3691645	7.6%	9.1%	8.4%
Public Administration, Defence & Other Services	523687	1875304	2021798	7.8%	8.9%	7.8%
Services	2208297	8058501	8669210	6.7%	10.0%	7.6%
GVA at Basic Price	42,23,454	1,48,04,899	1,58,73,750	6.3%	6.7%	7.2%

* GVA + taxes on products - subsidies on products = GDP